



Dave Yost • Auditor of State



**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 27, 2015

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**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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The discussion and analysis of the Gallia County Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2014 are as follows:

- Net position of governmental activities decreased \$1,108,640.
- General revenues accounted for \$24,227,239 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,311,840 or 18% of total revenues of \$29,539,079.
- The School District had \$30,647,719 in expenses related to governmental activities; only \$5,311,840 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$24,227,239 were not adequate to provide for these programs.
- The School District has two major funds: the General Fund and the Bond Retirement Fund. All governmental funds had total revenue and other financing sources in the amount of \$30,410,137 and expenditures and other financing uses in the amount of \$30,541,207.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Gallia County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

**Governmental Funds.** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds.** The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the School District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal service fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements. The School District's Internal Service Fund was previously used to account for excess coverage for claims in excess of contract amounts for medical, life and dental benefits. The balance remaining in the fund is being utilized to pay administrative costs for the School District's Flexible Spending Account.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

**Fiduciary Funds.** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1  
Net Position

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and Other Assets	\$31,224,804	\$31,583,313
Capital Assets, Net	54,451,391	56,268,629
Total Assets	<u>85,676,195</u>	<u>87,851,942</u>
<b>Liabilities</b>		
Long-Term Liabilities	41,744,981	43,188,839
Current and Other Liabilities	2,532,618	2,640,572
Total Liabilities	<u>44,277,599</u>	<u>45,829,411</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes not Levied to Finance Current Year Operations	13,125,217	12,640,512
<b>Net Position</b>		
Net Investment in Capital Assets	14,557,319	15,095,715
Restricted	10,249,514	10,782,299
Unrestricted	3,466,546	3,504,005
Total Net Position	<u>\$28,273,379</u>	<u>\$29,382,019</u>

Total net position of the School District as a whole decreased in the amount of \$1,108,640. Current and other assets decreased primarily due to an decrease in cash, cash equivalents and investments and intergovernmental receivables, which was partially offset by an increase in taxes receivable. The decrease to Capital Assets, Net is due to depreciation expense and deletions exceeding additions. The decrease to long-term liabilities is due to current year principal payments. Current and other liabilities decreased primarily due to decreases in contracts and retainage payable, which were partially offset by an increase in accounts payable.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, as compared with 2013.

Table 2  
Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 1,431,794	\$ 1,391,660
Operating Grants and Contributions	3,880,046	4,363,636
Total Program Revenues	<u>5,311,840</u>	<u>5,755,296</u>
General Revenues		
Property Taxes	12,866,362	12,562,466
Grants and Entitlements, Not Restricted	11,131,046	11,097,191
Gifts and Donations, Not Restricted	1,100	-
Investment Earnings	51,022	209,419
Miscellaneous	177,709	379,667
Total General Revenues	<u>24,227,239</u>	<u>24,248,743</u>
Total Revenues	<u>29,539,079</u>	<u>30,004,039</u>
<b>Program Expenses</b>		
Instruction:		
Regular	10,743,649	10,066,267
Special	3,099,401	2,796,229
Vocational	422,736	452,068
Other	2,375,741	2,018,128
Support Services:		
Pupil	493,180	544,767
Instructional Staff	802,641	1,085,800
Board of Education	99,674	159,528
Administration	2,150,159	1,743,885
Fiscal	803,964	718,294
Business	18,853	31,263
Operation and Maintenance of Plant	2,329,725	2,377,548
Pupil Transportation	2,382,090	2,325,741
Central	546,537	678,400
Operation of Non-Instructional Services	1,182,162	1,172,797
Extracurricular Activities	1,357,601	977,606
Interest and Fiscal Charges	1,839,606	1,881,342
Total Expenses	<u>30,647,719</u>	<u>29,029,663</u>
Increase (Decrease) in Net Position	(1,108,640)	974,376
Net Position Beginning of Year	29,382,019	28,407,643
Net Position End of Year	<u>\$ 28,273,379</u>	<u>\$ 29,382,019</u>

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

Operating grants and contributions decreased primarily due to decreased monies received from the Title I program and restricted monies received from foundation settlements. Miscellaneous revenue decreased primarily due to a workers' compensation refund received in the prior year. Property tax revenue increased as a result of increased tax assessed valuations. Investment earnings decreased due to a decrease in cash on hand as of year end. Regular instruction increased primarily due to an increase in material and supplies and purchased services paid from the General Fund. Special instruction increased, while instructional staff decreased as a result of a change in accounting coding by the State. Administration increased as a result of increased salaries and benefits. Extracurricular activities increased as a result of increased depreciation expense due to the completed athletic complex.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions. Table 3 shows the total cost of services and the net cost of services for 2014 as compared with 2013. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program Expenses				
Instruction:				
Regular	\$10,743,649	\$9,903,550	\$10,066,267	\$9,298,777
Special	3,099,401	1,277,769	2,796,229	1,318,840
Vocational	422,736	351,284	452,068	375,255
Other	2,375,741	2,259,029	2,018,128	1,923,779
Support Services:				
Pupil	493,180	468,964	544,767	519,299
Instructional Staff	802,641	547,638	1,085,800	508,555
Board of Education	99,674	95,147	159,528	152,040
Administration	2,150,159	1,959,918	1,743,885	1,552,285
Fiscal	803,964	747,693	718,294	663,218
Business	18,853	17,927	31,263	29,801
Operation and Maintenance of Plant	2,329,725	2,195,254	2,377,548	2,262,977
Pupil Transportation	2,382,090	2,076,347	2,325,741	2,017,644
Central	546,537	326,528	678,400	60,311
Operation of Non-Instructional Services	1,182,162	179,681	1,172,797	73,583
Extracurricular Activities	1,357,601	1,089,802	977,606	636,661
Interest and Fiscal Charges	1,839,606	1,839,348	1,881,342	1,881,342
Total	<u>\$30,647,719</u>	<u>\$25,335,879</u>	<u>\$29,029,663</u>	<u>\$23,274,367</u>

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in fund balance was in the Bond Retirement Fund in the amount of \$860,339 due to property tax monies received exceeding the retirement of bonds and interest and fiscal charges. The Bond Retirement Fund had \$3,712,899 in revenues and \$2,852,560 in expenditures.

The General Fund had a decrease of \$233,596. The General Fund had \$21,968,700 in revenues and other financing sources and \$22,202,296 in expenditures and other financing uses.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

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***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the School District amended its General Fund appropriation budget.

For the General Fund, final appropriations were \$23,160,812, above original estimates of \$22,329,756. This increase was due primarily to increases in regular instruction. The difference between final budgeted appropriations and actual expenditures was due to conservative budgeting by the School District for regular instruction and transfers-out. For the General Fund, actual revenues exceeded original and final estimates in the amount of \$1,751,455 due to intergovernmental revenues.

The School District's ending unobligated General Fund balance was \$5,516,662.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2014, the School District had \$54,451,391 invested in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2014 balances compared to 2013.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land and Land Improvements	\$3,849,695	\$4,636,620
Construction in Progress	230,160	73,500
Buildings and Improvements	48,980,599	49,951,861
Furniture and Equipment	718,116	777,763
Infrastructure	54,547	63,568
Vehicles	618,274	765,317
Totals	\$54,451,391	\$56,268,629

Changes in capital assets from the prior year resulted from additions, deletions, and current year depreciation. For additional information on capital assets, see Note 8 to the basic financial statements.

***Debt***

At June 30, 2014, the School District had general obligation bonds outstanding of \$37,900,000, excluding the premium of \$869,660. The School District also had a capital lease obligation outstanding at year-end totaling \$1,869,014. For additional information on debt, see Note 13 to the basic financial statements.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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**ECONOMIC FACTORS**

Gallia County Local School District is financially stable. As the preceding information shows, the School District depends upon the State School Foundation Program and property taxes for the majority of the School District's revenues. Gallia County Local School District must maintain its current spending habits to maintain its healthy financial situation. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julia Slone, Treasurer at Gallia County Local School District, 4836 State Route 325, Patriot, Ohio 45658.

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**Gallia County Local School District**  
*Statement of Net Position*  
*As of June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 16,158,819
Accrued Interest Receivable	4,640
Intergovernmental Receivable	1,170,928
Property Taxes Receivable	13,890,417
Nondepreciable Capital Assets	973,502
Depreciable Capital Assets, Net	53,477,889
<i>Total Assets</i>	85,676,195
<b>Liabilities</b>	
Accounts Payable	127,587
Accrued Wages and Benefits Payable	1,619,870
Contracts Payable	125,058
Intergovernmental Payable	455,826
Accrued Interest Payable	145,845
Matured Compensated Absences Payable	58,432
Long-Term Liabilities:	
Due Within One Year	1,393,604
Due In More Than One Year	40,351,377
<i>Total Liabilities</i>	44,277,599
<b>Deferred Inflows of Resources</b>	
Property taxes not levied to finance current year operations	13,125,217
<b>Net Position</b>	
Net Investment in Capital Assets	14,557,319
Restricted for:	
Debt Service	7,646,468
Capital Projects	2,398,728
Other Purposes	106,491
Contributions:	
Expendable	5,827
Non-Expendable	92,000
Unrestricted	3,466,546
<i>Total Net Position</i>	\$ 28,273,379

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 10,743,649	\$ 426,086	\$ 414,013	\$ (9,903,550)
Special	3,099,401	88,605	1,733,027	(1,277,769)
Vocational	422,736	20,642	50,810	(351,284)
Other	2,375,741	116,650	62	(2,259,029)
Support Services:				
Pupil	493,180	24,216	-	(468,964)
Instructional Staff	802,641	22,714	232,289	(547,638)
Board of Education	99,674	4,527	-	(95,147)
Administration	2,150,159	95,819	94,422	(1,959,918)
Fiscal	803,964	31,107	25,164	(747,693)
Business	18,853	926	-	(17,927)
Operation and Maintenance of Plant	2,329,725	110,546	23,925	(2,195,254)
Pupil Transportation	2,382,090	94,532	211,211	(2,076,347)
Central	546,537	12,020	207,989	(326,528)
Operation of Non-Instructional				
Services	1,182,162	195,985	806,496	(179,681)
Extracurricular Activities	1,357,601	187,404	80,395	(1,089,802)
Interest and Fiscal Charges	1,839,606	15	243	(1,839,348)
<i>Totals</i>	<u>\$ 30,647,719</u>	<u>\$ 1,431,794</u>	<u>\$ 3,880,046</u>	<u>(25,335,879)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				8,939,094
Debt Service				3,485,049
Permanent Improvements				442,219
Grants and Entitlements not Restricted to Specific Programs				11,131,046
Gifts and Donations not Restricted to Specific Programs				1,100
Investment Earnings				51,022
Miscellaneous				177,709
<i>Total General Revenues</i>				<u>24,227,239</u>
<i>Change in Net Position</i>				(1,108,640)
<i>Net Position Beginning of Year</i>				<u>29,382,019</u>
<i>Net Position End of Year</i>				<u>\$ 28,273,379</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**

*Balance Sheet*

*Governmental Funds*

*As of June 30, 2014*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 5,848,919	\$ 7,440,197	\$ 2,644,896	\$ 15,934,012
Receivables:				
Property Taxes	9,662,896	3,744,371	483,150	13,890,417
Accrued Interest	-	-	4,640	4,640
Interfund	716,207	-	-	716,207
Intergovernmental	181,275	-	989,653	1,170,928
<i>Total Assets</i>	<u>\$ 16,409,297</u>	<u>\$ 11,184,568</u>	<u>\$ 4,122,339</u>	<u>\$ 31,716,204</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 13,239	\$ -	\$ 114,348	\$ 127,587
Accrued Wages and Benefits Payable	1,471,594	-	148,276	1,619,870
Contracts Payable	-	-	125,058	125,058
Interfund Payable	-	-	715,069	715,069
Matured Compensated Absences Payable	57,333	-	1,099	58,432
Intergovernmental Payable	402,867	-	52,959	455,826
<i>Total Liabilities</i>	<u>1,945,033</u>	<u>-</u>	<u>1,156,809</u>	<u>3,101,842</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	9,130,583	3,538,100	456,534	13,125,217
Unavailable Revenue - Delinquent Taxes	442,113	171,319	22,106	635,538
Unavailable Revenue - Grants	-	-	218,000	218,000
<i>Total Deferred Inflows of Resources</i>	<u>9,572,696</u>	<u>3,709,419</u>	<u>696,640</u>	<u>13,978,755</u>
<b>Fund Balances</b>				
Nonspendable	-	-	92,000	92,000
Restricted	-	7,475,149	2,441,534	9,916,683
Assigned	3,748,037	-	-	3,748,037
Unassigned (Deficit)	1,143,531	-	(264,644)	878,887
<i>Total Fund Balances</i>	<u>4,891,568</u>	<u>7,475,149</u>	<u>2,268,890</u>	<u>14,635,607</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 16,409,297</u>	<u>\$ 11,184,568</u>	<u>\$ 4,122,339</u>	<u>\$ 31,716,204</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 As of June 30, 2014*

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**Total Governmental Fund Balances** \$ 14,635,607

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 54,451,391

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	635,538
Intergovernmental	218,000
	853,538

Total 853,538

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 223,669

Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(145,845)
Compensated Absences	(1,106,307)
Capital Lease Obligations	(1,869,014)
General Obligation Bonds	(37,900,000)
Premium on Bonds	(869,660)
	(41,890,826)

Total (41,890,826)

**Net Position of Governmental Activities** \$ 28,273,379

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 8,894,117	\$ 3,467,620	\$ 440,514	\$ 12,802,251
Intergovernmental	11,756,044	245,279	3,672,844	15,674,167
Investment Earnings	31,138	-	19,884	51,022
Charges for Services	-	-	195,787	195,787
Tuition and Fees	1,066,268	-	-	1,066,268
Extracurricular Activities	45,640	-	124,099	169,739
Gifts and Donations	1,100	-	-	1,100
Miscellaneous	164,993	-	12,716	177,709
<i>Total Revenues</i>	<u>21,959,300</u>	<u>3,712,899</u>	<u>4,465,844</u>	<u>30,138,043</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,767,314	-	603,200	9,370,514
Special	1,846,299	-	1,284,397	3,130,696
Vocational	417,777	-	-	417,777
Other	2,375,651	-	90	2,375,741
Support Services:				
Pupil	499,953	-	-	499,953
Instructional Staff	463,495	-	344,459	807,954
Board of Education	92,203	-	-	92,203
Administration	2,037,302	-	140,790	2,178,092
Fiscal	637,325	118,965	51,486	807,776
Business	21,088	-	-	21,088
Operation and Maintenance of Plant	2,251,720	-	35,965	2,287,685
Pupil Transportation	1,908,968	-	305,707	2,214,675
Central	245,580	-	301,044	546,624
Operation of Non-Instructional Services	4,041	-	1,175,232	1,179,273
Extracurricular Activities	359,758	-	116,364	476,122
Capital Outlay	9,400	-	807,231	816,631
Debt Service:				
Principal	1,443	905,000	255,586	1,162,029
Interest and Fiscal Charges	285	1,828,595	64,800	1,893,680
<i>Total Expenditures</i>	<u>21,939,602</u>	<u>2,852,560</u>	<u>5,486,351</u>	<u>30,278,513</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>19,698</u>	<u>860,339</u>	<u>(1,020,507)</u>	<u>(140,470)</u>
<b>Other Financing Sources</b>				
Transfers In	-	-	262,694	262,694
Inception of Capital Lease	9,400	-	-	9,400
Transfers Out	(262,694)	-	-	(262,694)
<i>Total Other Financing Sources</i>	<u>(253,294)</u>	<u>-</u>	<u>262,694</u>	<u>9,400</u>
<i>Net Change in Fund Balances</i>	(233,596)	860,339	(757,813)	(131,070)
<i>Fund Balances Beginning of Year</i>	<u>5,125,164</u>	<u>6,614,810</u>	<u>3,026,703</u>	<u>14,766,677</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,891,568</u>	<u>\$ 7,475,149</u>	<u>\$ 2,268,890</u>	<u>\$ 14,635,607</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ (131,070)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	781,702	
Current Year Depreciation	<u>(2,542,382)</u>	
Total		(1,760,680)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.		
Loss on Disposal of Capital Assets	<u>(56,558)</u>	
Total		(56,558)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	64,111	
Intergovernmental	<u>(663,075)</u>	
Total		(598,964)
Proceeds from the inception of capital lease in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		
		(9,400)
The amortization of premiums are reported as interest expense in the statement of activities but are not reported in the governmental funds.		
		51,157
Repayments of debt and capital lease principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
		1,162,029
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(8,143)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	240,072	
Decrease in Interest Payable	<u>2,917</u>	
Total		<u>242,989</u>
<b>Net Change in Net Position of Governmental Activities</b>		<b>\$ (1,108,640)</b>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$ 21,049,580	\$ 21,049,580	\$ 22,801,035	\$ 1,751,455
Total Expenditures and Other Uses	<u>22,329,756</u>	<u>23,160,812</u>	<u>23,490,826</u>	<u>(330,014)</u>
Net Change in Fund Balance	(1,280,176)	(2,111,232)	(689,791)	1,421,441
Fund Balance, July 1	6,000,740	6,000,740	6,000,740	-
Prior Year Encumbrances Appropriated	<u>205,713</u>	<u>205,713</u>	<u>205,713</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,926,277</u>	<u>\$ 4,095,221</u>	<u>\$ 5,516,662</u>	<u>\$ 1,421,441</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Fund Net Position*  
*Governmental Activities*  
*Internal Service Fund*  
*As of June 30, 2014*

	Internal Service Fund
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 224,807
<i>Total Assets</i>	224,807
<b>Liabilities</b>	
Current Liabilities:	
Interfund Payable	1,138
<i>Total Liabilities</i>	1,138
<b>Net Position</b>	
Unrestricted	223,669
<i>Total Net Position</i>	\$ 223,669

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Postion*  
*Governmental Activities*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Internal Service Fund
<b>Operating Expense</b>	
Purchased Services	\$ 8,143
<i>Total Operating Expense</i>	8,143
<i>Changes in Net Postion</i>	(8,143)
<i>Net Postion at Beginning of Year</i>	231,812
<i>Net Postion at End of Year</i>	\$ 223,669

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Cash Flows*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2014

	<u>Internal Service Fund</u>
<b><i>Increase in Cash, Cash Equivalents and Investments</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 29,204
Cash Payments for Purchased Services	<u>(28,143)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>1,061</u>
Increase in Cash, Cash Equivalents and Investments	1,061
Cash, Cash Equivalents and Investments at Beginning of Year	<u>223,746</u>
Cash, Cash Equivalents and Investments at End of Year	<u><u>\$ 224,807</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i></b>	
Operating Loss	\$ (8,143)
<i>Changes in Assets and Liabilities:</i>	
Decrease in Accounts Receivable	8,066
Increase in Interfund Payable	<u>1,138</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 1,061</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*As of June 30, 2014*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,400	\$ 97,372
Cash and Cash Equivalents with Fiscal Agent	-	1,362
Total Assets	<u>\$ 1,400</u>	<u>\$ 98,734</u>
<b>Liabilities</b>		
Undistributed Monies	<u>\$ -</u>	<u>\$ 98,734</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 1,400</u>	

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust Fund
<b>Additions</b>	
Gifts and Contributions	\$ 1,700
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,835
<i>Change in Net Position</i>	(135)
<i>Net Position Beginning of Year</i>	1,535
<i>Net Position End of Year</i>	\$ 1,400

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Gallia County Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District provides educational services as authorized by State statute and/or federal guidelines. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the School District's seven (7) instructional support facilities staffed by 87 non-certificated and 169 certified personnel providing education to approximately 2,232 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Gallia County Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Booster Club

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one is a risk sharing pool, and one is an insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Educational Regional Service System, the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 19 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities plus deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

***General Fund*** The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

***Bond Retirement Fund*** The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is property tax revenue.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

***Internal Service Fund*** The Internal Service Fund was used to provide excess coverage for claims in excess of contract amounts for medical, life, and dental benefits provided to employees. As of June 30, 2014 the fund had no claims to process. The remaining fund balance of \$223,669 is surplus left in the fund and is being utilized to pay administration fees of the School District's Flex Spending Account.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are agency funds, which are used to account for student managed activities and certain payroll clearance items, and a private-purpose trust fund, which is used to account for scholarship awards.

***C. Measurement Focus***

***Government-Wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

**Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District did not have any deferred outflows as of June 30, 2014. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consist of taxes and grants which are not collected in the available period. Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts are to reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash, Cash Equivalents and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2014, investments were limited to certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$31,138 and \$19,884 to the Other Governmental Funds.

For purposes of the presentation on the financial statements, investments of a cash management pool or investments with an original maturity of three months or less at the time they are purchased by the School District would be considered to be cash equivalents.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***G. Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	5 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10 years
Infrastructure	50 years
Library and Textbooks	5-15 years

***H. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

***J. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

***K. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***L. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***M. Net Position***

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The government-wide statement of net position reports \$10,249,514 in restricted net position, none of which is restricted by enabling legislation.

***N. Interfund Assets/Liabilities***

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The School District did not have any operating revenues during the current fiscal year. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are presented as nonoperating revenues/expenses.

***P. Unamortized Bond Issuance Costs/Bond Premium and Discount***

On the government-wide financial statements, bond issuance costs are recorded as expenses on the statement of activities. The School District did not have any bond issuance costs during the current fiscal year. Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized as expenditures and other financing sources, respectively.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 3 – ACCOUNTABILITY**

***Accountability***

At June 30, 2014, the Lunchroom, Restructuring Team Grant, Title VI-B, Title I, Early Childhood, Teacher Quality Improvement, and Miscellaneous Federal Grants Funds had deficit fund balances of \$122,701, \$2,844, \$6,369, \$52,868, \$1,321, \$5,394, and \$73,147, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget and actual (budget basis), presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Change in Fund Balance	
General Fund	
GAAP Basis	(\$233,596)
Revenue Accruals	883,199
Expenditure Accrual	(1,035,069)
Perspective Difference:	
Activity of Fund Reclassified for	
GAAP Reporting Purposes	4,154
Encumbrances	<u>(308,479)</u>
Budget Basis	<u><u>(\$689,791)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The School District's bank balance of \$16,802,830 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2014 taxes were collected for the School District are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$253,099,780	53.84%	\$253,731,660	55.18%
Public Utility	216,948,450	46.16%	206,091,230	44.82%
Total Assessed Value	\$470,048,230	100.00%	\$459,822,890	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.75		\$28.75	

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations.

The amount available to be advanced can vary based on the date the tax bills are sent.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

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**NOTE 6 - PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014 was \$90,200 in the General Fund, \$34,952 in the Bond Retirement Fund, and \$4,510 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>General Fund</i>	\$181,275
<i>Non-Major Special Revenue Funds:</i>	
Lunchroom	95,508
Restructing Team Grant	2,960
Special Education, Part B-IDEA	86,829
Title I	269,014
Race to the Top	61,738
Early Childhood Special Education, IDEA	9,576
Title II-A	111,275
Miscellaneous Federal Grants	352,753
Total Non-Major Special Revenue Funds	<u>989,653</u>
Total Intergovernmental Receivables	<u><u>\$1,170,928</u></u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> 6/30/2013	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/2014
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 743,342	\$ -	\$ -	\$ 743,342
Construction in Progress	73,500	156,660	-	230,160
Total Capital Assets not being Depreciated	<u>816,842</u>	<u>156,660</u>	<u>-</u>	<u>973,502</u>
Depreciable Capital Assets:				
Land Improvements	6,249,967	262,991	(65,641)	6,447,317
Buildings and Improvements	62,708,176	344,151	(176,524)	62,875,803
Furniture and Equipment	1,413,310	17,900	(69,430)	1,361,780
Infrastructure	172,609	-	(12,376)	160,233
Library and Textbooks	1,138,235	-	-	1,138,235
Vehicles	3,242,563	-	-	3,242,563
Total Capital Assets being Depreciated	<u>74,924,860</u>	<u>625,042</u>	<u>(323,971)</u>	<u>75,225,931</u>
Less Accumulated Depreciation				
Land Improvements	(2,356,689)	(1,049,917)	65,642	(3,340,964)
Buildings and Improvements	(12,756,315)	(1,273,047)	134,158	(13,895,204)
Furniture and Equipment	(635,547)	(69,047)	60,930	(643,664)
Infrastructure	(109,041)	(3,328)	6,683	(105,686)
Library and Textbooks	(1,138,235)	-	-	(1,138,235)
Vehicles	(2,477,246)	(147,043)	-	(2,624,289)
Total Accumulated Depreciation	<u>(19,473,073)</u>	<u>(2,542,382)</u>	<u>267,413</u>	<u>(21,748,042)</u>
Total Capital Assets being Depreciated, Net	<u>55,451,787</u>	<u>(1,917,340)</u>	<u>(56,558)</u>	<u>53,477,889</u>
Capital Assets, Net	<u>\$ 56,268,629</u>	<u>\$ (1,760,680)</u>	<u>\$ (56,558)</u>	<u>\$ 54,451,391</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,450,281
Special	16,572
Vocational	2,359
Support Services:	
Board of Education	7,471
Administration	14,033
Operation and Maintenance of Plant	7,508
Pupil Transportation	151,188
Central	694
Operation of Non-Instructional Services	10,797
Extracurricular Activities	881,479
Total Depreciation Expense	<u>\$ 2,542,382</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District, together with other school districts in Ohio participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity risk sharing pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the SORSA (see Note 19). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2014 are as follows:

Buildings and Contents	\$85,603,161
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	100,000
EDP Equipment – Per Occurrence	1,250,000
Errors and Omissions Cover	1,000,000
General Liability	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

The School District provides health and major medical, dental and prescription drug insurance for all eligible employees through United Healthcare. The School District pays monthly premiums of up to \$1,533.60 for family coverage and up to \$608.56 for individual coverage. The School District provides dental insurance for all eligible employees through CoreSource. The School District pays monthly premiums of up to \$84.05 for family coverage and up to \$32.97 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$449,669, \$434,284, and \$405,795, respectively; 81% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$84,576 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 9.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanent remain in their current plan.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 - PENSION PLANS (Continued)**

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 9.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – For members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member’s defined contribution account and the remaining amount is applied to the DB Plan. Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service credit. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 - PENSION PLANS (Continued)**

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

For the fiscal years ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,174,088, \$1,205,874, and \$1,248,427, respectively; 83% has been contributed for the fiscal year 2014 and 100% for the fiscal year 2013 and 2012. \$195,371 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, three members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$90,381, \$93,849, and \$95,496 for fiscal years 2014, 2013 and 2012, respectively; 83% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50, if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, 2013 and 2012 the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. The School District's contributions for the fiscal years ended June 30, 2014, 2013 and 2012 were \$27,869, \$26,015, and \$23,787; 81% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013 and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2014, 2013 and 2012 fiscal years equaled \$52,067, \$50,938, and \$60,435, respectively; 81% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE**

During fiscal year 2014, the School District entered into an agreement for copiers. During previous fiscal years, the School District entered into an agreement for copiers and into an agreement with Ohio Valley Bank to lease the Athletic fields and construct facilities thereon. These leases meet the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

Future minimum lease payments as of June 30, 2014 are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 323,949
2016	323,949
2017	322,219
2018	318,753
2019	317,013
2020-2021	<u>475,519</u>
Total	2,081,402
Less: Amount Representing Interest	<u>(212,388)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,869,014</u>

The construction and leases were capitalized in the amount of \$2,725,342 which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2014 were \$257,029 in the governmental funds.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term liabilities during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Reductions	Principal Outstanding 6/30/14	Due Within One Year
General Obligation Bonds 3.75%	\$38,805,000	\$0	\$905,000	\$37,900,000	\$970,000
Premium	920,817	0	51,157	869,660	0
Total Long-Term Bonds	<u>39,725,817</u>	<u>0</u>	<u>956,157</u>	<u>38,769,660</u>	<u>970,000</u>
Capital Lease	2,116,643	9,400	257,029	1,869,014	266,767
Compensated Absences	1,346,379	611,657	851,729	1,106,307	156,837
Total Long-Term Obligations	<u>\$43,188,839</u>	<u>\$621,057</u>	<u>\$2,064,915</u>	<u>\$41,744,981</u>	<u>\$1,393,604</u>

The General Obligation Bonds were issued in 2006 in the amount of \$43,000,000. These bonds were issued for the purpose of constructing and renovating school buildings. The debt will mature in 2034. The debt is being retired from the Bond Retirement Fund.

Compensated absences will be paid from the fund which the employee's salaries are paid, with the General Fund being the most significant. Capital leases are being paid from the General Fund, the Permanent Improvement Fund and the Title I Fund.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 13 - LONG-TERM OBLIGATIONS (Continued)**

The School District's voted legal debt margin was \$3,484,060. The School District has an unvoted debt margin of \$459,823 at June 30, 2014.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, are as follows:

	Principal	Interest	Total
2015	\$970,000	\$1,786,245	\$2,756,245
2016	1,105,000	1,739,895	2,844,895
2017	1,185,000	1,694,095	2,879,095
2018	1,265,000	1,643,514	2,908,514
2019	1,415,000	1,586,210	3,001,210
2020-2024	8,260,000	6,874,056	15,134,056
2025-2029	10,430,000	4,659,888	15,089,888
2030-2034	13,270,000	1,723,750	14,993,750
Total	\$37,900,000	\$21,707,653	\$59,607,653

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

A. SOUTHEAST OHIO VOLUNTARY EDUCATIONAL COOPERATIVE

The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 25 participants consisting of 20 school districts, 3 joint vocational school districts and 2 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information, write to Southeast Ohio Voluntary Education Cooperative, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

B. GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT

Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donalyn Smith, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

C. GALLIA-VINTON EDUCATIONAL SERVICE CENTER

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Educational Service Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2014, the School District made \$70,231 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

D. EDUCATIONAL REGIONAL SERVICE SYSTEM (ERSS)

The Educational Regional Service System consists of 16 designated regions to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 39105 Bradbury Road, Middleport, Ohio 45760.

**NOTE 15 - INSURANCE PURCHASING POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 16 - CONTINGENCIES**

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to legal proceedings.

**NOTE 17- DEFERRED COMPENSATION**

School District employees may participate in the Ohio Public Employees Deferred Compensation program, created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 18 - STATUTORY SET-ASIDES**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Balance as of June 30, 2013	\$0
Current year set-aside requirement	387,657
Current Year Qualifying disbursements	(387,657)
Set-aside Balance as of June 30, 2014	\$0

The carryover amount in the Capital Acquisition Set-Aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$41,296,662 at June 30, 2014.

**NOTE 19 - RISK SHARING POOL**

*Schools of Ohio Risk Sharing Authority, Inc.* – The Schools of Ohio Risk Sharing Authority, Inc. (SORSA) is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance and educators’ errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 20– INTERFUND ACTIVITY**

**A. Advances**

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2015 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$716,207	\$0
Non-Major Special Revenue Funds		
Teacher Quality Improvement	0	84,751
Food Service	0	95,507
Title VI-B	0	52,532
Early Childhood	0	6,860
Title I	0	112,573
Race to the Top	0	33,843
Misc Federal Grant	0	329,003
	<u>0</u>	<u>715,069</u>
Total Non-Major Special Revenue Funds		
Internal Service Fund	<u>0</u>	<u>1,138</u>
Total Interfund Receivables/Payables	<u><u>\$716,207</u></u>	<u><u>\$716,207</u></u>

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis and also due to a small amount due from the Internal Service Fund. The General Fund will be reimbursed when funds become available in the Non-Major special revenue funds and in the 2015 fiscal year for the Internal Service Fund.

**B. Transfers**

Transfers were made from the General Fund to the Food Services Fund to move unrestricted balances to support programs in the amount of \$262,694.

**NOTE 21 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: 41 days maximum for one to nine years of service; 46 days maximum for 10 to 19 years of service; and 60 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 43 days maximum for one to nine years of service; 48 days maximum for 10 to 19 years of service; and 53 days maximum for 20 or more years of service.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 21 – OTHER EMPLOYEE BENEFITS (Continued)**

**B. Insurance**

The School District provides health and major medical and prescription drug insurance for all eligible employees through United Healthcare. The School District pays monthly premiums of up to \$1,533.60 for family coverage and up to \$608.56 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

Dental coverage was provided through Core Source. Premiums for the dental coverage were \$84.05 monthly for family coverage and \$32.97 for single coverage.

**NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2014, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 23 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Scholarship	\$0	\$0	\$92,000	\$92,000
<b>Restricted for</b>				
Contributions	0	0	5,827	5,827
Other Purposes	0	0	59,085	59,085
Capital Improvements	0	0	2,376,622	2,376,622
Debt Services Payments	0	7,475,149	0	7,475,149
Total Restricted	<u>0</u>	<u>7,475,149</u>	<u>2,441,534</u>	<u>9,916,683</u>
<b>Assigned to</b>				
FY15 Appropriations in excess of Estimated Receipts	3,428,584	0	0	3,428,584
Other Purposes	319,453	0	0	319,453
Total Assigned	<u>3,748,037</u>	<u>0</u>	<u>0</u>	<u>3,748,037</u>
<b>Unassigned (Deficit)</b>	<u>1,143,531</u>	<u>0</u>	<u>(264,644)</u>	<u>878,887</u>
Total Fund Balances	<u>\$4,891,568</u>	<u>\$7,475,149</u>	<u>\$2,268,890</u>	<u>\$14,635,607</u>

**NOTE 24 – CONTRACT COMMITMENTS**

The School District has entered into the following contract for the purpose of constructing two athletic facilities and a baseball field:

Contractor	Contract Amount	Amount Paid as of 6/30/14	Remaining Balance
Crown Excavating	\$ 245,000	\$ 125,000	\$ 120,000

**NOTE 25 – ENCUMBRANCES**

At June 30, 2014, the School District had encumbrance commitments in governmental funds as follows:

Major Fund:	
General	\$308,479
Non-Major Funds:	
Permanent Improvement	492,727
Construction	469,347
Athletics	11,241
RTTT	29,510
IDEA-B	26,545
Title I	104,128
Miscellaneous Federal Grants	23,750
Total Non-Major Funds	<u>1,157,248</u>
Total Funds	<u>\$1,465,727</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 26 – SUBSEQUENT EVENTS**

In July 2014, the School District issued refunding bonds in the amount of \$35,350,000. The bonds issued included a premium of \$4,070,651, issuance costs of \$149,500, discounts of \$288,083, and other uses of \$2,531. The bonds have an interest rate ranging from 2% - 5% and mature in November 2033.

**NOTE 27 – COMPLIANCE**

Office of Management and Budget (OMB) Circular A-133 Section .32(a) states that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The School District's single audit was not completed by the required deadline.

Further, OMB Circular Number A-133, Subpart C, Section .300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. During current year testing of the District's Federal Schedule, we noted the disbursements included repayments of fiscal year 2013 advances.

Finally, contrary to Ohio Revised Code (ORC) Section 5705.41(B), the School District had expenditures in excess of appropriations in the General Fund.

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**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2013/2014	10.553	\$ 179,176	\$ 179,176
National School Lunch Program	2013/2014	10.555	473,810	473,810
Total Child Nutrition Cluster			<u>652,986</u>	<u>652,986</u>
Team Nutrition Grants	2014	10.574	<u>3,700</u>	<u>3,700</u>
Total U.S. Department of Agriculture			656,686	656,686
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	306,648 <u>794,934</u>	71,541 <u>907,507</u>
Total Title I Grants to Local Educational Agencies			1,101,582	979,048
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	93,104 <u>507,956</u>	24,745 <u>560,488</u>
Total Special Education - Grants to States			601,060	585,233
Special Education - Preschool Grants	2013 2014	84.173	3,979 <u>7,354</u>	2,457 <u>14,213</u>
Total Special Education - Preschool Grants			<u>11,333</u>	<u>16,670</u>
Total Special Education Cluster			612,393	601,903
Twenty-First Century Community Learning Centers	2014	84.287	224,536	550,000
Rural Education	2013 2014	84.358	22,615 <u>22,615</u>	 <u>3,539</u>
Total Rural Education				3,539
Improving Teacher Quality State Grants	2012 2013	84.367	37,669 <u>92,404</u>	30,866 <u>177,155</u>
Total Improving Teacher Quality State Grants			130,073	208,021
ARRA - Race To the Top	2013 2014	84.395A	24,079 <u>308,500</u>	8,119 <u>342,343</u>
Total Race To the Top			<u>332,579</u>	<u>350,462</u>
Total U.S. Department of Education			<u>2,423,778</u>	<u>2,692,973</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,080,464</u></b>	<b><u>\$ 3,349,659</u></b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.*

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting

**NOTE B - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 27, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 27, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Gallia County Local School District's, Gallia County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Gallia County Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the School District's major federal programs.

### ***Management's Responsibility***

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2014-001 and 2014-002. These findings did not require us to modify our compliance opinion on each major federal program.

The School District's responses to our noncompliance finding are described in the accompanying schedule of findings and corrective action plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

### ***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-002 to be a material weakness.

The School District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

Gallia County Local School District  
Gallia County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
Over Compliance Required by OMB Circular A-133  
Page 2

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 27, 2015

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**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Child Nutrition Cluster – CFDA #'s 10.553 and 10.555</li> <li>• Title I Grants to Local Educational Agencies – CFDA #84.010</li> <li>• Special Education Cluster – CFDA #'s 84.027 and 84.173</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2014-001
<b>CFDA Title and Number</b>	All Grants
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education; U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance – Reporting**

OMB Circular Number A-133, Subpart C, §\_.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, all applicable, the CFDA title and number, award number and year, name of Federal agency, and the name of the pass-through entity.

Furthermore, OMB Circular Number A-133, Subpart B §\_.200 (a) requires that non-federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program specific audit conducted annually. Subpart C, §\_.300 (e) also requires the auditee to ensure, that the audits required by this part are properly performed and submitted when due (within nine months of year-end).

Although an annual federal single audit was performed for the year ended June 30, 2014, the completion of the audit did not meet the single audit deadline of March 31, 2015.

The School District should take steps to ensure its annual audit is completed and submitted to the Single Audit Clearing House within nine months of the year-end.

**Officials’ Response:**

The district understands the importance of having the audit completed in a timely manner. The scheduling of the start of fiscal year 2014 audit was set back by the delay of our capital asset report. The vendor we used for the physical inventory and report compilation had some family medical emergencies which delayed completing of the asset compilation, which in turn delayed the completion of our GAAP conversion. Those instances, coupled with a high incidence of days in which the weather prevented travel to work or delayed our office opening caused us to re-schedule several times with the auditor. This was an unusual year as far as weather conditions. We also had moved to this location from our previous location during FY 2014, and some of our records were at the warehouse and some were not yet organized, causing some delays in gathering information as requested by the inventory company, the accounting firm putting together our financial statements, and the auditor. These issues have been resolved now as we have completed our office organization in our new space. We do not feel this will be an issue in the future and will focus efforts on getting the capital asset and GAAP conversions completed earlier, which will allow the audit to be completed prior to the deadline.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2014-002
<b>CFDA Title and Number</b>	CFDA #84.027 Special Education CFDA #84.173 Special Education Preschool CFDA #84.010 Title I
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance – Reporting**

OMB Circular Number A-133, Subpart C, §.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

During current year testing of the School District's Schedule of Federal Awards Receipts and Expenditures, we noted the disbursements included repayments of fiscal year 2013 advances in major federal programs totaling \$353,495, which were not considered Federal disbursements as follows:

- \* CFDA #84.027, Special Education - Grants to States in the amount of \$69,659
- \* CFDA #84.173, Special Education - Preschool Grants in the amount of \$1,521
- \* CFDA #84.010, Title I Grants to Local Educational Agencies in the amount of \$282,315

We also noted the disbursements of repayments of fiscal year 2013 advances in nonmajor federal programs totaling \$58,999, which were not considered Federal disbursements as follows:

- \* CFDA #84.367, Improving Teacher Quality State Grants in the amount of \$11,702
- \* CFDA #84.358, Rural Education in the amount of \$22,615
- \* CFDA #84.395A, ARRA - Race to the Top in the amount of \$24,682

The School District Treasurer should ensure all repayments of advances are not included in the disbursements listed on the Schedule of Federal Awards Receipts and Expenditures.

**Officials' Response:**

In the future, the treasurer will be sure to not include repayment of advances from federal programs in the Federal Schedule of disbursements.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code §5705.41(B) - expenditures exceeded appropriations.	No	Partially corrected. Reissued in Management Letter
2013-002	Significant Deficiency relating to financial reporting of the District's financial statements.	Yes	
2013-003	OMB Circular Number A-133, Subpart C, §_.300(a) – Failure to timely complete the single audit.	No	Not corrected. Reissued as Finding Number 2014-001.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The School District will timely complete the single audit for fiscal year 2015.	March 31, 2016	Julia Slone, Treasurer
2014-002	The Treasurer will exclude advance repayments from the federal schedule for fiscal year 2015.	March 31, 2016	Julia Slone, Treasurer



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

To the Board of Education:

Ohio Rev. Code §117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with §3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Gallia County Local School District, Gallia County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code §3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on August 12, 2013 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 27, 2015



# Dave Yost • Auditor of State

**GALLIA LOCAL SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 9, 2015**